

# OFFICE

## '24 Market Insights



Greater Lansing Area, Michigan | H2 2023

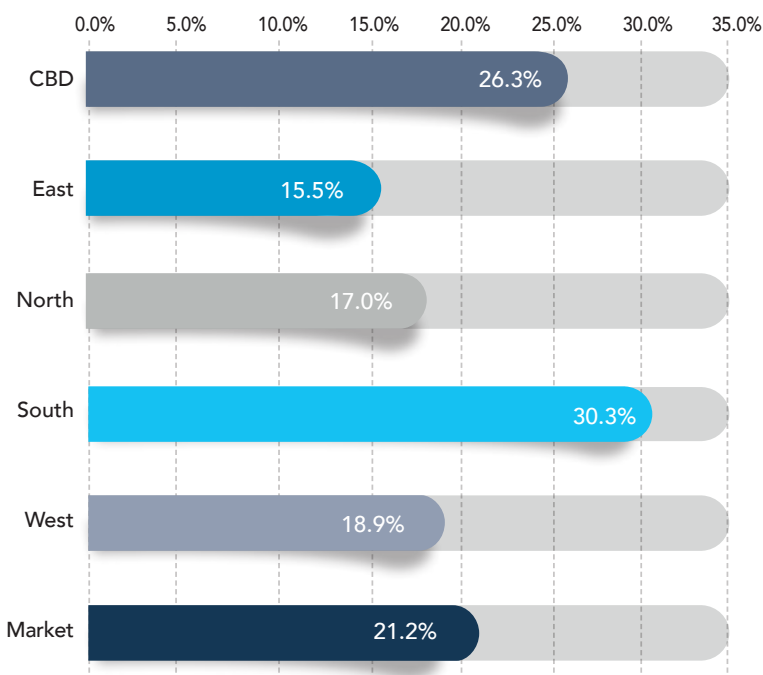
## Slowdown in Leasing Activity Pushes Vacancy to 20-Year High

### Market at a Glance

Arrows indicate change from previous period.



Figure 1: Market Vacancy  $\geq 5,000$  SF Leased Space



Source: Martin Commercial Properties, Inc.

### MARKET NEWS

- Remote and hybrid work is now status quo and has lowered office demand throughout the market.
- Having reached a 20-year high, vacancy rates appear to be stabilizing at a new post-COVID "normal."
- On average, CBD assets are performing less favorably than those of suburban markets (26.3% average vacancy vs. 19.0%, respectively).
- When comparing current vacancy figures with pre-pandemic (H2 2019) numbers, vacancy is up 42% in the suburbs and 92% in the Central Business District (CBD).
- Landlords continue to negotiate aggressively for large deals, yet typically rental rates hold steady when investment is required from a landlord.
- The length of lease term varies greatly from deal to deal.
- Some of the largest lease transactions this period were lease extensions and included **Jackson** in **City Center** building (33,000 SF-East Submarket); **Coverys** in **Park Place** (17,000 SF-East Submarket); and **Miller Canfield Paddock & Stone** at **One Michigan Avenue** (8,000 SF-CBD).
- Notable new leases this period include **Jackson** in **Corporate Centre** (21,000 SF-South Submarket); **Health Management Associates** in **The Woodlands** (10,500 SF-East Submarket); **Butzel Long P.C.** at **The Louie** (7,500 SF-CBD); and **Delta Township** in **Delta Commerce Park** (6,500 SF-West Submarket).
- No new supply was added to the market, nor is anticipated in the near future. Construction costs, interest rates and lack of demand are all contributing factors.
- Owner-user sales dominated this period, and this trend will likely continue throughout 2024.
- The largest sales during H2 2023 include the 123,400 SF **Corporate Centre** at 5913 Executive Dr. (\$3.9 Million-South Submarket); the 30,400 SF **Landmark Building** at 200 S. Washington Sq. (\$3.4 Million-CBD); the 25,300 SF building at 1400 E. Michigan Ave. (\$3.2 Million-East Submarket); the 21,400 SF building at 2150 Association Dr. (\$2.3 Million-East Submarket); and the 19,300 SF building at 316 Moores River Dr. (\$1.3 Million-West Submarket).

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**Figure 2:** Market Statistics | H2 2023  
≥5,000 SF Leased Space

SUBMARKET	MARKET RENTABLE AREA (SF)	MARKET SHARE (%)	VACANT (SF)	VACANCY RATE (%)	COMPLETIONS (SF)	ABSORPTION (SF)	ASKING LEASE RATE (\$/SF/YR)
CBD	2,451,743	30.0	644,703	26.3	0	-36,542	14.00-32.00
East	3,412,022	41.8	528,132	15.5	0	-91,558	14.00-26.00
North	154,211	1.9	26,165	17.0	0	-11,450	13.00-15.00
South	1,105,301	13.5	335,344	30.3	0	17,239	8.00-23.00
West	1,043,622	12.8	196,823	18.9	0	1,727	11.00-20.00
Market	8,166,899	100.0	1,731,167	21.2	0	-120,584	8.00-32.00

Source: Martin Commercial Properties, Inc.



## MARKET COMPOSITION AND GROWTH

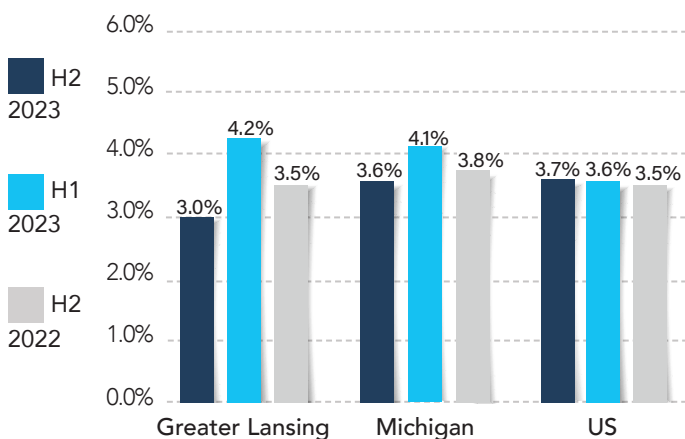
The Greater Lansing Area comprises over 8.2 million SF of leasable office space divided into five submarkets (CBD, East, North, South and West).

The largest concentrations of office space are found in the CBD and the East Submarket, which together represent 72.6% of the market. The East Submarket (comprising approx. 3.5 million SF) is the largest segment of private sector leased space in the Greater Lansing Area, while the North Submarket is the market's smallest sector, with just over 130,000 SF.

No new speculative construction was completed in the market during H2 2023 and none is anticipated in the future due to construction costs, interest rates and lack of demand.

Finally, a portion of **McLaren's** former Greenlawn campus has been sold to **Child and Family Charities**, who will relocate their offices to the site and offer housing options for those they serve in the area. Opportunities for the remainder of the campus are currently in negotiation, and will further revitalize the area with community-based services.

**Figure 3:** Unemployment Statistics  
History of Unemployment / Local, State, U.S.



Source: Bureau of Labor Statistics



## VACANCIES

Office market vacancies in H2 2023 averaged 21.2%, up slightly from 20.0% charted in H1 2023.

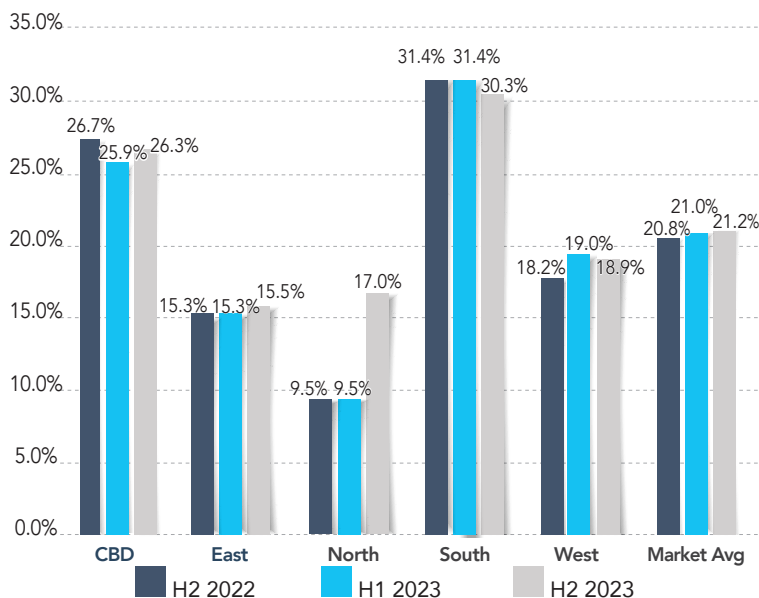
The South and West Submarkets showed some improvement this period. Vacancies in the South sector averaged 30.3%, down from 31.4% charted in H1 2023; however, this was largely due to **Jackson's** sale of the 123,400 SF **Corporate Centre** and subsequent leaseback of 21,000 SF.

Though leasing activity was slow, West submarket vacancies decreased slightly from 19.0% in H1 2023 to 18.9% in H2 2023. The only sizable new transaction charted was the **Charter Township of Delta's** 6,500 SF lease in the **Delta Commerce Center**.

Vacancies rose in the CBD, the East Submarket and the North Submarket. Downtown vacancies rose from 25.9% to 26.3%, largely due to continued **State of Michigan** consolidation within the **Phoenix Building** and the dissolution of the **Loomis Law Firm**, which resulted in a 10,000 SF vacancy in the **Boji Tower**.

East Submarket vacancies increased slightly this period from 15.3% to 15.5% as a result of corporate consolidation.

**Figure 4:** History of Market Vacancies - Leased Buildings Comprising  $\geq 5,000$  SF



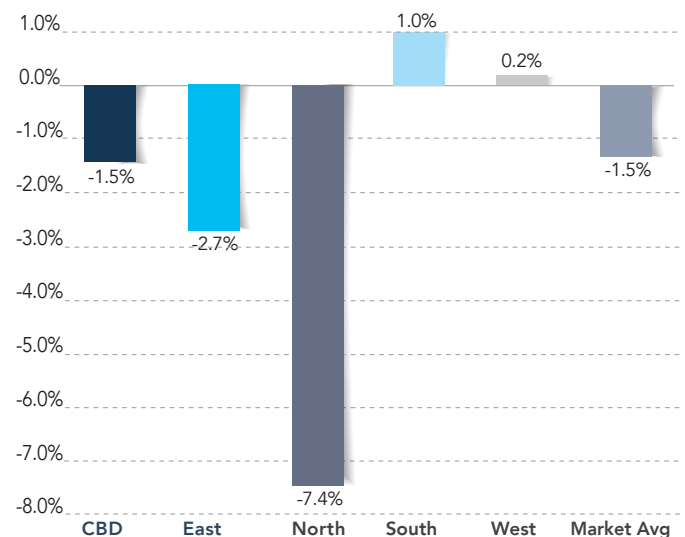
## ABSORPTION

Absorption is the net change in physically occupied space from one period to the next.

Over the past six months, the Greater Lansing office market absorbed negative 120,584 SF (-1.5%), down considerably from the 13,771 charted in H1 2023.

The South Submarket absorbed the most vacancies (17,239 SF), primarily due to the 21,000 SF **Jackson** lease. Absorption in the West Submarket was also positive (1,727 SF). The balance of the sectors experienced negative absorption, with the East Submarket faring the worst due to corporate consolidation (-91,558 SF).

**Figure 5:** H2 2023 Absorption - Leased Buildings Comprising  $\geq 5,000$  SF



Source: Martin Commercial Properties, Inc.

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Izzo Family Medical Center  
on the New McLaren Greater Lansing Hospital Campus  
Up to 4,190 SF for Lease

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